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St. Paul Surplus Lines Insurance Co.

385 Washington St.
St. Paul MN 55102
United States

July 7, 2004

IAC-ACC-NO: 0000278559

VARIANT[S]:
St Paul Surplus Lines,
St Paul Surplus Lines Ins,

PUB-TYPE: Company Profile

COMPANY-TYPE: Private Subsidiary, Headquarters Location

MSA: 5120 Minneapolis-St. Paul, MN-WI

NAICS:
524126 Direct Property and Casualty Insurance Carriers
PRIMARY SIC CODE:
6331 Fire, Marine And Casualty Insurance

DESCRIPTION: Insurance: Underwriter of property damage insurance.

ULTIMATE PARENT: St. Paul Companies Inc.
ULTIMATE PARENT NUMBER: 0000308121
IMMEDIATE PARENT: St. Paul Specialty Underwriting Inc.
IMMEDIATE PARENT NUMBER: 0001159383

EXECUTIVES:
Chief Executive Officer:
Al Lusk, Vice President

TOTAL-CITATIONS: 10
LAST-CITE-DATE: September 10, 2001

S Business Insurance directory of surplus lines insurers.[companiesstarting with the letter S][Brief Article][Directory][Statistical Data Included]
Business Insurance 35 41 Sept 10 2001
IAC 78265128

The St. Paul 'Pleased and Gratified' With Court Reversal of Georgia Insurance Commissioner's Cease and Desist Order.
PR Newswire NA July 16 2001
IAC 76544682

The St. Paul "Pleased and Gratified" With Court Reversal of GeorgiaInsurance Commissioner's Cease and Desist Order.

Business Wire 0260 July 16 2001
IAC 76545673

BRIEFS.[BUSINESS]
Star Tribune [Minneapolis, MN] 03D May 15 2001
IAC 74520595

The St. Paul Introduces New Medical Liability Policy for Physicians And Surgeons; Product is Launched in Georgia Through Surplus Lines.
PR Newswire NA May 14 2001
IAC 74487081

The St. Paul Introduces New Medical Liability Policy for Physicians and Surgeons; Product is Launched in Georgia Through Surplus Lines.
Business Wire 2655 May 14 2001
IAC 74487833

S Business Insurance directory of surplus lines insurers.[companiesstarting with the letter S][Brief Article][Directory][Statistical Data Included]
Business Insurance 35 41 Sept 10 2001
IAC 78265128

The St. Paul 'Pleased and Gratified' With Court Reversal of Georgia Insurance Commissioner's Cease and Desist Order.
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IAC 76545673

BRIEFS.[BUSINESS]
Star Tribune [Minneapolis, MN] 03D May 15 2001
IAC 74520595

URL: http://www.stpaultravelers.com
OTHER PHONE NUMBERS: [800]328-2189

LOAD-DATE: July 8, 2004

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America's Corporate Finance Directory

September 6, 2005

The St. Paul Travelers Companies, Inc.

385 Washington St
Saint Paul, MN 55102-1309

* * * * * * * * * * **COMMUNICATIONS** * * * * * * * * * *
TELEPHONE: (651) 310-7911
FAX: (651) 310-3386
URL: www.stpaul.com
OTHER: (800) 328-2189

* * * * * * * * * * **COMPANY IDENTIFIERS** * * * * * * * * * *
TICKER: SPC
AMFIN NUMBER: 9010-000

* * * * * * * * * * **COMPANY INFORMATION** * * * * * * * * * *
FOUNDED: 1853
LEGAL STATUS: Public
EMPLOYEES: 9,300

* * * * * * * * * * **CORPORATE STRUCTURE** * * * * * * * * * *
SUBSIDIARIES:

Discover Reinsurance Company Inc.
First Trenton Indemnity Co.
Geovera Insurance Company Inc.
Gulf Insurance Group
Northbrook Holdings Inc.
Nuveen Investments, Inc.
Saint Paul Lloyd's Holdings Inc.
St. Paul Fire and Marine, Inc.
St. Paul Fire & Marine Insurance Company Inc.
The St. Paul Fire & Marine Insurance Company of Illinois Inc.
St. Paul Indemnity Insurance Co. Inc.
St. Paul Management Services Inc.
St. Paul Mercury Insurance Company Inc.
St. Paul Properties Inc.
St. Paul Specialty Underwriting Inc.
St. Paul Surplus Lines Insurance Company Inc.
The St. Paul Travelers
The St. Paul Travelers (Formerly: St. Paul Property & Casualty Insurance Company Inc.)
St Paul Travelers Property Casualty
St. Paul Venture Capital Inc.

* * * * * * * * * * **EXECUTIVES** * * * * * * * * * *
OFFICERS:

Robert L. Lipp, Chm
Jay Bennett, Vice Chm & CFO
Jay S. Fishman, Pres & CEO
Brian MacLean, COO
Kenneth F. Spence, III, Gen Counsel & Sr VP
Maria Olivo, Exec VP-Investor Rels, Fin Plng & A
Bruce A. Backberg, Sr VP & Sec
John P. Clifford, Sr VP-HR
Dan Murphy, Sr VP-Risk Control
John C. Treacy, VP & Controller
Laura C. Gagnon, VP-Fin
Dennis Molenaar, Natl Dir-Risk Control For Pub Secto

********** **DESCRIPTION** **********
Holding Company; Property-Casualty Insurance, Asset Management

********** **MARKET AND INDUSTRY** **********
SIC CODES:
6331 - Fire, marine, and casualty insurance

********** **BALANCE SHEET** **********

ASSETS: $39,563,000,000
LIABILITIES: $33,338,000,000

********** **INCOME STATEMENT** **********

EARNINGS: $661,000,000

********** **OTHER FINANCIALS** **********

NET WORTH: $6,225,000,000
PENSION FUND ASSETS: $1,844,000,000 (fiscal year ending December 31, 2004)

********** **SECURITIES INFORMATION** **********
EXCHANGE: New York Stock Exchange (NYSE)

********** **SERVICE FIRMS** **********
AUDITOR:
KPMG Peat Marwick, Minneapolis, MN
COUNSEL:
Oppenheimer, Wolff & Donnelly, Saint Paul, MN
TRANSFER AGENT: First Chicago Trust Company of New York, New York, NY

CROSS REFERENCE:
The St. Paul Companies, Inc.

LOAD-DATE: September 6, 2005

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RETURN

Datamonitor - Company Profile

July 2, 2005

LAST MODIFIED: July 4, 2005

The St. Paul Travelers Companies, Inc.

385 Washington Street
St. Paul MN 55102
United States of America

* * * * * * * * * * COMPANY IDENTIFIERS * * * * * * * * * * ISIN: US7928601084

DETAILED INFORMATION:
OVERVIEW
BUSINESS DESCRIPTION
HISTORY
KEY EMPLOYEES
COMPANY VIEW
LOCATIONS AND SUBSIDIARIES
SWOT ANALYSIS
COMPETITOR ANALYSIS
MAJOR PRODUCTS & SERVICES

* * * * * * * * * * DESCRIPTION * * * * * * * * * * HISTORY:
St. Paul Travelers began operating in 1853, as Saint Paul Fire and Marine Insurance, to provide insurance to early settlers of the Minnesota territory. Its operations were built around insuring property.

During World War I, the company sustained losses exceeding $4 million from 260 Ocean-going vessels damaged or destroyed in action. The company experienced little growth during the Great Depression. St. Paul began to expand after World War II into areas such as hospitals, real estates, and package policies. It began to offer life insurance coverage by acquiring Western Life Insurance in 1957.

St. Paul was formed in 1968. The new company began to diversify through insurance and financial services acquisitions. In 1974, the company added St. Paul Surplus Lines and it acquired the John Nuveen, an asset management/investment-banking firm.

In the 1980s, the company focused its resources and capabilities on property-liability insurance, and divested life insurance operations including Western Life, investment management and other operations outside the property-liability arena.

In the 1990s, St. Paul continued to grow through acquisition and alliances. In 1994, the company acquired CIGNA's international reinsurance operations.

In 1996, Travelers acquired the Aetna's property-casualty insurance book of business.

In 1997, Travelers launched the first insurance policy to protect individuals using personal computers for online banking.

In 1998, St. Paul merged with USF&G to create the eighth-largest property-liability insurance company in the US.

In 2000, St. Paul acquired MMI, which established a presence in the medical liability insurance and risk management services for the health care industry.

In September 2001, St Paul sold Fidelity and Guaranty Life Insurance, which operated St. Paul's life insurance business, to Old Mutual, a London-based international financial services company. Also in September 2001, the company sold American Continental Life Insurance to CNA Financial.

During 2002, the company reduced the number of its offices outside the US, while continuing and refocusing on its operations in the UK, Canada and Ireland.

In March 2003, the company announced a major expansion into the small business insurance marketplace with a new platform aimed at growing the company's business with small commercial enterprises. Features of the approach included an underwriting technology, enhanced customer service capabilities, flexible and competitive insurance products, and a dedicated countrywide sales force.

St. Paul Travelers Companies was formed by the combination of Travelers Property Casualty and the St. Paul Companies in April 2004.

In December 2004 the St. Paul Travelers announced it was planning to reduce the number of Directors on its Board from 23 members to a preliminary target of 13 members.

In March 2005, the company sold its stake in Nuveen.

In April 2005, the company announced the formation of two new business units, the global underwriting small business unit and the Canada-based national programs business unit.

LOAD-DATE: July 5, 2005

Best's(R) Company Reports

July 22, 2005

St. Paul Surplus Lines Insurance Company

BUSINESS ADDRESS: Wilmington, Delaware, United States
385 Washington Street, St. Paul, Minnesota, United States 55102

* * * * * * * * * * * * * * * * COMMUNICATIONS * * * * * * * * * * * * * * * * Telephone: 651-310-7911
Fax: 651-310-7334
URL: http://www.stpaultravelers.com

* * * * * * * * * * * * * * * COMPANY IDENTIFIERS * * * * * * * * * * * * * * * AMB#: 03592
FEIN#: 41-1230819
NAIC#: 30481

* * * * * * * * * * * * * * COMPANY INFORMATION * * * * * * * * * * * * * * Group Affiliation: St. Paul Travelers Group

* * * * * * * * * * * * * * * * * DESCRIPTIONS * * * * * * * * * * * * * * * * INDUSTRY TYPE: Property/Casualty

* * * * * * * * * * * * * * * * * TEXT OF REPORT * * * * * * * * * * * * * * * * BEST'S RATING

Based on our opinion of the consolidated Financial Strength of the property/casualty members of St. Paul Travelers Insurance Companies, which operate under a group structure, each group member is assigned a Best's Rating of A+ (Superior). The company is assigned the Financial Size Category of Class XV, which is the Financial Size Category of the group.

RATING RATIONALE

The following text is derived from the report of St. Paul Travelers Insurance Companies.

Rating Rationale: The rating applies to 28 pool members, led by the Travelers Indemnity Company, and 17 reinsured affiliates. The rating also applies to Travelers Casualty and Surety Company of America, which A.M. Best considers to be a core and integral member of the St. Paul Travelers Group. The rating is based on the consolidation of virtually all of the domestic business of these companies as well as 15 other separately rated domestic affiliates within the St. Paul Travelers Group.

The rating reflects St. Paul Travelers Insurance Companies' (St. Paul Travelers) strong risk-adjusted capitalization, superior earnings power and dominant market profile in commercial, specialty and personal lines. The rating also acknowledges the group's strategic focus on profitability, emphasizing both underwriting and financial discipline. In addition, the rating considers the merger of The St. Paul Companies, Inc. with Travelers Property Casualty Corp., which formed The St. Paul Travelers Companies, Inc., on April 1, 2004, as well as the combining of the St. Paul and Travelers pools, effective July 1, 2005, retroactive to January 1, 2005, which formed St. Paul Travelers Insurance Companies, and the benefits to be derived through the integration of St. Paul's and Travelers' operations. The rating also recognizes that approximately $1.7 billion of proceeds from The St. Paul Travelers Companies, Inc.'s divestiture of Nuveen Investments, Inc. will be contributed to its insurance subsidiaries in the third quarter of 2005. These contributions are expected to provide the St. Paul Travelers with a sizable capital cushion in the event of further adverse loss reserve development.

The combined organization possesses significant market share, ranking second in the U.S. in commercial lines as well as

in personal lines agency companies, with approximately 7.6% and 6.8% market shares, respectively. The combining of the two group's also results in greater geographic spread and diversification of business, with Travelers' presence being particularly strong in the Northeast and East Coast and St. Paul in the Midwest and South. Furthermore, the merging of St. Paul and Travelers should afford significant expense savings through integration. A.M. Best also believes that Travelers' management and operating culture will continue to prevail in the combined organization which should result in the continued effective expense management, catastrophe mitigation strategies and adherence to strict underwriting and reserving discipline this management and operating culture exhibited in the past.

Offsetting these positive factors has been the substantial volatility of St. Paul Travelers' reserves in recent years, particularly at St. Paul, with regard to run-off and ongoing businesses, as well as asbestos and environmental reserve development. While A.M. Best is more comfortable with the adequacy of St. Paul Travelers' reserves given its reserve strengthening in recent years, the potential for further significant reserve development remains. This has been considered in Best's evaluation of St. Paul Travelers' risk-adjusted capitalization, which as previously noted is regarded as strong. Also, being among the largest commercial insurers, St. Paul Travelers also has exposure to potential terrorist-related losses, although it has an extensive management program in place to manage its spread of risk and reduce its exposure to a single event.

In addition, concentrations of St. Paul and Travelers business within agencies may be a concern to those agencies preferring to produce business for a more diversified group of carriers. Finally, St. Paul Travelers as well as other insurers and brokers have received subpoenas and other information requests in recent months from regulators and attorneys general in several states relating to certain business practices. St. Paul Travelers intends to fully cooperate with the ongoing investigations. Despite these factors, A.M. Best considers the group favorably positioned and sufficiently well-capitalized to absorb these challenges and those posed by softening property / casualty markets.

::

Best's Rating A+ g   Outlook Stable

FIVE YEAR
RATING HISTORY

Date	Best's Rating
07/13/05	A+ g
04/18/05	A p
01/31/05	A p
07/23/04	A p
04/02/04	A p
01/26/04	A pu
11/17/03	A pu
06/13/03	A p
06/03/02	A p
12/12/01	A+ p
09/27/01	A+ pu
08/17/01	A+ p

KEY FINANCIAL INDICATORS

	Statutory Data ($000)		
Period Ending	Direct Premiums Written	Net Premiums Written	Pretax Operating Income

KEY FINANCIAL INDICATORS

2000	97,798	117,012	16,984
2001	167,116	154,808	-20,355
2002	296,692	146,545	17,927
2003	355,566	171,965	19,359
2004	365,348	146,123	-10,401
03/2004	81,818	40,140	5,183
03/2005	89,278	22,224	12,440

Statutory Data ($000)

Period Ending	Net Income	Total Admitted Assets	Policy-holders' Surplus
2000	16,998	410,663	100,337
2001	-19,775	435,159	63,326
2002	18,934	452,329	67,583
2003	19,373	481,577	88,954
2004	-430	562,233	133,701
03/2004	5,982	477,089	82,827
03/2005	8,967	562,631	144,487

	Profitability			Leverage			Liquidity	
Period Ending	Comb. Ratio	Inv. Yield (%)	Pretax ROR (%)	NA Inv Lev	NPW to PHS	Net Lev	Overall Liq (%)	Oper. Cash-flow (%)
2000	104.2	6.7	15.4	...	1.2	4.2	132.5	101.8
2001	127.9	6.5	-14.3	...	2.4	8.3	117.0	114.1
2002	104.8	6.4	11.7	4.6	2.2	7.8	117.6	103.9
2003	98.7	5.9	12.7	4.4	1.9	6.3	122.7	113.4
2004	123.2	5.1	-6.4	...	1.1	4.3	131.2	144.7
5-Yr Avg	112.1	6.1	3.3	...	...	...	...	...
03/2004	101.3	XX	13.0	XX	2.1	6.9	121.0	109.0
03/2005	93.0	XX	34.5	XX	0.9	3.8	134.6	124.4

(*) Data reflected within all tables of this report has been compiled from the company-filed statutory statement. Within several financial tables of this report, this company is compared against the Professional Surplus Lines Writers.

BUSINESS REVIEW

The company is currently a 3% participant in the St. Paul intercompany pool. For a detailed discussion of the company's business review, refer to the report of St. Paul Companies.

The following text is derived from the report of St. Paul Travelers Insurance Companies.

Overall financial control of St. Paul Travelers Insurance Companies is held by The St. Paul Travelers Companies, Inc., a widely held publicly traded holding company (NYSE: STA). The St. Paul Travelers Companies, Inc. was formed by the merging of The St. Paul Companies, Inc. (SPC) with Travelers Property Casualty Corp. (TPC) on April 1, 2004. For a detailed discussion of The St. Paul Travelers Companies, Inc. and its organization structure, as well as the mergers, acquisitions and divestitures it has made in recent years, please refer to the St. Paul Travelers Group report. The discussion that follows is confined to a business review of St. Paul Travelers Insurance Companies, which accounts for the vast majority of The St. Paul Travelers Companies, Inc.'s revenues.

As noted above, on July 13, 2005, The St. Paul Travelers Companies, Inc. announced that it had combined the St. Paul and Travelers pools, forming a new pool effective July 1, 2005, retroactive to January 1, 2005, and merged Gulf Insurance Company, the lead company of the former Gulf Insurance Group, with and into The Travelers Indemnity Company, the lead company of the new pool, effective July 1, 2005, retroactive to January 1, 2005. The 28 participants in the new pool, 17 reinsured affiliates and Travelers Casualty and Surety of America, all listed above, constitute the 46 members of A.M. Best's new rating unit, St. Paul Travelers Insurance Companies. Although the new pooling agreement was not in effect until January 1, 2005, the financial data contained in the tables of this report is based on A.M. Best's consolidation of virtually all of the domestic business of these companies as well as 15 other separately rated domestic affiliates within the St. Paul Travelers Group.

St. Paul Travelers Insurance Companies (St. Paul Travelers) offers a wide range of commercial, specialty and personal insurance products and services to businesses, government units, associations and individuals. The group has significant market share, ranking second in the U.S. in commercial lines as well as in personal lines agency companies, with approximately 7.6% and 6.8% market shares, respectively. The group also utilizes other distribution platforms including brokers, direct affinity group marketing, joint marketing and the Internet. The alternative platforms provide St. Paul Travelers with additional growth opportunities. Principally U.S. oriented, St. Paul Travelers also provides commercial underwriting service facilities to policyholders abroad. St. Paul Travelers' property and casualty insurance business is comprised of three segments — Commercial, Specialty and Personal.

The Commercial segment, which accounted for approximately 44% of St. Paul Travelers' proforma total net premiums written in 2004, is organized into three marketing and underwriting groups — Commercial Accounts, Select Accounts and National Accounts — each of which focuses on a particular client base. These groups accounted for approximately 51%, 31% and 12% of St. Paul Travelers' proforma Commercial net premiums written in 2004, respectively. Commercial Accounts serves primarily mid-sized businesses for casualty products and large and mid-sized businesses for property products. Select Accounts serves small businesses and offers property, liability, commercial auto and workers' compensation insurance. National Accounts provides casualty products and services to large companies, with particular emphasis on workers' compensation, general liability and automobile liability. National Accounts also includes the group's residual market business, which primarily offers workers' compensation products and services to the involuntary market. Commercial also includes the Special Liability Group (which manages the group's asbestos and environmental (A&E) liabilities; the reinsurance, health care, and certain international runoff operations; and policies written by the group's former subsidiary, Gulf Insurance Company, which was placed into runoff in the fourth quarter of 2004 and, as noted above, merged with and into Travelers Indemnity Company, effective July 1, 2005. Gulf business includes specialty coverages including management and professional liability, excess and surplus lines, environmental, umbrella and fidelity, as well as products designed for financial institutions, the entertainment industry and sports organizations. The Special Liability Group's operations are collectively referred to as Commercial Other and accounted for approximately 6% of St. Paul Travelers' proforma Commercial net premiums written in 2004.

Commercial Accounts sells a broad range of property and casualty insurance products through approximately 6,200 independent agents and brokers. Commercial Accounts' casualty products primarily target mid-sized businesses with 75 to 1,000 employees, while its property products target large, mid-sized and small businesses. St. Paul Travelers offers a full line of products to its Commercial Accounts' customers with an emphasis on guaranteed cost programs. A key objective of Commercial Accounts is continued focus on first party product lines of business, which cover risks of loss to property of the insured. Beyond the traditional middle market network, dedicated underwriting units exist to complement the middle market or specifically respond to the unique or unusual business client insurance needs. These units are as follows:

— National Property provides insurance coverage for large commercial property schedules and mid-sized risks covering losses on buildings, business assets and business interruption exposures.

— Transportation provides auto liability, damage coverage, cargo and general liability coverages to the trucking industry. Products have been developed for Non-fleet (generally 1-10 units) and Fleet (11+ units) customers and are distributed through general agents.

— Boiler and Machinery provides comprehensive breakdown coverages for equipment including property and business income coverages. Through the BoilerRe unit, Boiler and Machinery also provides reinsurance, underwriting, engineering, claim handling and risk management services to other property casualty carriers that do not have in-house expertise.

— Inland Marine provides insurance which generally covers articles that may be transported from one place to another, goods in transit other than transoceanic and movable objects. Coverages include builder's risk, contractor's equipment, fine arts, jewelers, motor truck cargo and transportation risks.

— Agribusiness offers property and liability coverages other than workers' compensation for farms, ranches and larger commercial growers of agricultural products.

— Excess and Surplus coverages are written on a non-admitted basis through established wholesalers. Coverages typically underwritten include commercial auto and general liability.

— National Programs offers tailored insurance products to commercial insureds with similar risk characteristics, underwritten on a program basis. Programs are typically marketed through a single distribution channel. The targeted industries include entertainment, leisure, service, retail and sports.

Select Accounts is a leading provider of property casualty products to small businesses. It generally serves firms with one to 75 employees and generally less complex exposures. Products offered by Select Accounts are guaranteed cost policies, often a packaged product covering property and liability exposures. Products are sold through independent agents and brokers, who are often the same agents and brokers that sell St. Paul Travelers' Commercial Accounts, Specialty and Personal Products. In addition to the traditional small commercial agency network, Select Accounts has a dedicated servicing unit that serves unique customer needs, including small national programs, architects and engineers, and emerging distribution markets.

Select Accounts offers its independent agents a system for small businesses that helps them connect all aspects of sales and service through a comprehensive service platform. Components of the platform include agency automation capabilities and state-of-the-art service centers that function as an agency's customer service operations, both of which are highly utilized by agencies. More than 89% of Select Account's eligible business volume is processed by agencies using its automated issuance systems, which allow agents to quote and issue policies from agency offices. Approximately 3,600 agencies have chosen to take advantage of Select Accounts' service centers, which offer agencies a wide range of services, including coverage and billing inquiries, policy changes, the assistance of licensed service professionals and extended hours of operations.

National Accounts sells a variety of casualty products and services to large companies. National Accounts' clients generally select loss sensitive products in connection with a large deductible or self-insured program and, to a lesser extent, a retrospectively rated or a guaranteed cost insurance policy. Through a network of field offices, St. Paul Travelers underwriting specialists work closely with national and regional brokers to tailor insurance programs to meet clients' needs. Workers' compensation accounted for approximately 76% of sales to National Accounts customers during 2004, based on direct written premiums and fees. National accounts generated $446 million of fee income in 2004, excluding the residual market business discussed below.

National Accounts also includes St. Paul Travelers' commercial residual market business. The group's commercial residual market business sells claims and policy management services to workers' compensation and automobile assigned risk plans and to self-insurance pools throughout the U.S. The group services approximately 35% of the total workers' compensation assigned risk market. It is one of only two servicing carriers that operate nationally. Assigned risk plan

contracts generated approximately $212 million of fee income in 2004.

The Specialty segment, which accounted for approximately 25% of St. Paul Travelers' proforma total net premiums written in 2004, was created upon the merger of TCP and SPC. It combined SPC's specialty operations with TPC's Bond and Construction operations, which were included in TCP's Commercial segment prior to the merger. Specialty provides a full range of standard and specialized insurance coverages and services through dedicated underwriting, claims handling and risk management groups. In the U.S., It distributes the majority of its specialty commercial products through the same base of approximately 6,200 independent agencies and brokers that distribute the Commercial segment's products, as well as selected wholesalers using surplus lines paper, both on a brokerage and managing general underwriting basis. In many of its businesses, Specialty competes through the use of proprietary rates and policy forms. The segment comprises two primary groups: Domestic Specialty and International Specialty.

Domestic Specialty includes the following marketing and underwriting organizations, each of which possesses customer expertise and offers products and services to address its respective customers' specific needs:

— Bond provides a wide range of customers with specialty products built around St. Paul Travelers' market leading surety bond business along with an expanding executive liability practice for middle and small market private accounts and not-for-profit accounts. Bond's range of products includes fidelity and surety bonds, directors' and officers' liability insurance, errors and omissions insurance, professional liability insurance, employment practices liability insurance, fiduciary liability insurance and other related coverages.

— Construction offers a variety of products and services, including traditional insurance, consisting of workers' compensation, general liability and commercial auto coverages, and other risk management solutions, to a broad range of contractors.

— Financial and Professional Services provides professional liability and management liability coverages for public corporations against losses caused by the negligence or misconduct of named directors and officers, errors and omissions coverages for a variety of professionals such as lawyers, insurance agents and real estate agents for liability from errors and omissions committed in the course of professional conduct or practice, and a full range of insurance coverages including property, auto, liability, fidelity and professional liability coverages for financial institutions.

Domestic Specialty also includes several other underwriting groups that provide unique combinations of insurance coverage, risk management, claims handling and other services for a targeted client's needs. Included in "Other Domestic Specialties" are the following business units: Technology, Public Sector Services, Ocean Marine, Oil and Gas, Underwriting Facilities (which underwrites liability and property facilities produced by wholesalers and managing general agents), Umbrella/Excess and Surplus Group, Discover Re (which principally provides commercial auto liability, general liability, workers' compensation and property coverages, serving retail brokers and insureds that utilize the alternative risk transfer market), and Personal Catastrophe Risk (which underwrites personal property coverages in certain states exposed to earthquakes and hurricanes).

International Specialty includes coverages marketed and underwritten to several specialty customer groups within the United Kingdom, Canada and the Republic of Ireland, St. Paul Travelers' participation in Lloyd's, and the Global Underwriting business group. Products are distributed through brokers in the domestic markets of each of the three countries in which it operates. At Lloyd's its products are distributed through Lloyd's accredited brokers and, by virtue of Lloyd's worldwide licenses, Specialty has access to international markets across the world.

The Personal segment, which accounted for approximately 31% of St. Paul Travelers' proforma total net premiums written in 2004, writes virtually all types of property and casualty insurance covering personal risks. These products are distributed through approximately 7,500 independent agencies located throughout the U.S., supported by personnel in ten marketing regions, three single state companies and six business service centers. Personal's product mix is approximately 60% personal auto and personal automobile and 40% homeowners and other. While the principal markets for Personal's insurance products are in states along the East Coast, in the South and Texas, the group is expanding its geographical presence across the United States.

The Personal segment operates three single state companies in Massachusetts, New Jersey and Florida — The Premier Insurance Company of Massachusetts, First Trenton Indemnity Company and First Floridian Auto & Home Insurance Company, respectively — with products marketed primarily through independent agents. These states represented approximately 20% of the Personal's direct premiums in 2004. These companies were established to manage complex markets in Massachusetts and New Jersey and property catastrophe exposure in Florida. Each company has dedicated resources in underwriting, claim, finance, legal and service functions.

The Personal segment uses a consistent operating model with agents outside of the single state companies that provides technological alternatives to agents to maximize their ease of doing business. Personal agents quote and issue approximately 97% of Personal's policies directly from their agencies by leveraging either their own agency management systems or using Personal's proprietary quote and issuance systems which allows agents to rate, quote and issue policies on line. All of these quote and issue platforms interface with the Personal's underwriting and rating systems, which edit transactions for compliance with St. Paul Travelers underwriting and pricing programs. The personal segment continues to develop functionality to provide agents with a comprehensive array of online service capabilities packaged together in an easy-to-use agency service portal, including customer service, marketing and claim functionality.

The Personal segment also markets through additional distribution channels, including sponsoring organizations such as employers and consumer associations, and joint marketing arrangements with other issuers. A number of well-known corporations endorse St. Paul Travelers' personal lines product offerings to their employees primarily through the payroll deduction payment process. St. Paul Travelers also has significant relationships with the majority of the American Automobile Association (AAA) in the U.S. and other affinity groups that endorse the group's tailored personal lines offerings to their members. Since 1995, St. Paul Travelers has had a marketing agreement with GEICO to receive referrals for homeowners business.

The 28 members of the St. Paul Travelers' pool operate under an intercompany reinsurance arrangement whereby all business is pooled, the combined premiums distributed, and losses and expenses prorated. Currently business is distributed to the participants approximately as follows: St. Paul Fire and Marine Insurance Company (26.36%), The Travelers Indemnity Company (22.41%), Travelers Casualty and Surety Company (21.14%), The Phoenix Insurance Company (5.19%), The Standard Fire Insurance Company (5.03%), United States Fidelity and Guaranty Company (4.58%), Travelers Casualty Insurance Company of America (2.83%), Farmington Casualty Company (1.54%), The Automobile Insurance Company of Hartford, Connecticut (1.42%), The Travelers Indemnity Company of Connecticut (1.42%), The Charter Oak Fire Insurance Company (1.32%), St. Paul Surplus Lines Insurance Company (0.91%), The Travelers Indemnity Company of America (0.80%), St. Paul Protective Insurance Company (0.60%), Travelers Casualty Company of Connecticut (0.49%), Travelers Commercial Casualty Company (0.49%), Travelers Commercial Insurance Company (0.49%), Travelers Property Casualty Company of America (0.37%), Travelers Property Casualty Insurance Company (0.31%), Athena Assurance Company (0.30%), St. Paul Medical Liability Insurance Company (0.30%), TravCo Insurance Company (0.28%), Travelers Excess and Surplus Lines Company (0.28%), The Travelers Home and Marine Insurance Company (0.28%), Travelers Personal Insurance Company (0.28%), Travelers Personal Security Insurance Company (0.28%), Discover Property and Casualty Insurance Company (0.15%) and Discover Specialty Insurance Company (0.15%).

While the vast majority of the group's property and casualty business is underwritten and retained by this pool, a growing amount of existing commercial, specialty and personal lines business is being renewed and retained by other affiliates. These include companies within TNC Insurance Group, which operates as a long-haul trucking / transportation provider, while also writing general liability, commercial property, and other specialty coverages to targeted niche segments, as well as non-standard auto and other specialty personal lines coverages; Travelers Casualty and Surety Company of America, which is a leading writer of bond and certain other specialty lines business; First Trenton Indemnity Company, a personal lines carrier dedicated to New Jersey business (discussed above); The Premier Insurance Company of Massachusetts, a private passenger automobile carrier dedicated to Massachusetts business (discussed above); and First Floridian Auto and Home Insurance Company, a personal lines carrier dedicated to Florida business (discussed above).

2004 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Product	Premiums Written	% of Total	Pure Loss	Loss & LAE

2004 BUSINESS PRODUCTION AND PROFITABILITY ($000)

Line	Direct	Net	NPW	Ratio	Reserves
Oth Liab Occur	112,356	29,318	20.1	76.0	81,305
Workers' Comp	...	22,574	15.4	66.9	49,098
Oth Liab Cl-Made	60,831	19,209	13.1	60.8	24,843
Comm'l Auto Liab	40,133	17,795	12.2	59.4	28,425
Prod Liab Occur	37,241	10,341	7.1	121.0	33,503
Inland Marine	67,890	10,043	6.9	34.4	3,938
Com'l MultiPeril	1,895	8,388	5.7	48.1	8,262
Fire	15,618	5,765	3.9	2.3	4,868
Surety	...	5,713	3.9	160.4	11,790
Ocean Marine	...	4,588	3.1	56.3	4,522
Allied Lines	9,128	4,047	2.8	62.6	2,967
Auto Physical	11,883	4,031	2.8	43.8	893
Prod Liab Cl-Made	7,314	678	0.5	114.0	2,404
All Other	1,057	3,631	2.5	155.0	82,340
Totals	365,348	146,123	100.0	74.3	339,157

Major 2004 Direct Premium Writings By State ($000): Texas, $ 87,628 (24.0%); California, $ 42,067 (11.5%); New York, $ 21,112 (5.8%); Louisiana, $ 15,563 (4.3%); Illinois, $ 13,309 (3.6%); 46 other jurisdictions, $ 185,390 (50.7%); Aggregate Alien, $ 280 (0.1%).

FINANCIAL PERFORMANCE

The following text is derived from the report of St. Paul Travelers Insurance Companies.

The text contained in several sections of this report discusses the historical results and trends of A.M. Best's former rating units, Travelers Property Casualty Pool and St. Paul Companies, separately. The text in these sections for the former Travelers Property Casualty Pool is based on A.M. Best's consolidation of virtually all of the domestic business of its 24 former members and 14 other separately rated affiliates at year-end 2004. The text in the sections for the former St. Paul Companies is based on A.M. Best's consolidation of its 18 former members and one other separately rated domestic affiliate at year-end 2004. It should be noted when reading these sections that the former Travelers Property Casualty Pool accounted for roughly 60% to 65% of St. Paul Travelers Insurance Companies' historical net premiums written, total admitted assets and policyholders' surplus, while the former St. Paul Companies accounted for 35% to 40% of these historical measures.

Travelers Property Casualty Pool —

Since the acquisition of Aetna in 1996 and the successful integration there of, Travelers' earnings have improved dramatically. In addition to becoming a better balanced, well-diversified organization, this impressive turnaround was also attributable to Travelers' deep management strength and its proven ability to successfully integrate and find true synergies. Travelers' recent performance also reflects years of business cultivation, highly selective underwriting, proprietary pricing, field office restructuring and new marketing initiatives.

For years 1997 through 2000, Travelers' earnings were highly consistent, producing average pretax operating income of $1.7 billion per year. On an after-tax basis, including realized and unrealized capital gains, net income for these years resulted in returns on average statutory surplus in the 17% to 21% range. In 2001, however, Travelers' returns were lower than expected primarily due to $750 million of pretax net incurred losses resulting from the September 11 attacks on the World Trade Center and the emergence of $82 million of adverse prior year loss reserve development. For the year, the group's pretax operating income declined to $1.1 billion from $1.8 billion in 2000. Following being relatively flat in 2000, the group's net investment income declined 7% in 2001 primarily reflecting a modest decline in its invested asset base and substantially lower yields on new fixed income investments, as well as lower yields from private equity and other

alternative investments.

In 2002, Travelers reported a sizable pretax operating loss of $1.0 billion, largely stemming from the fourth quarter asbestos reserve charge of $2.55 billion. This charge as well as other asbestos reserve strengthening earlier in the year, resulted in total asbestos reserves of $3.4 billion at year-end. Separately, Travelers also strengthened its environmental reserves in the fourth quarter by $100 million, bringing the total environmental reserves to $385 million. In 2003, with no asbestos reserve charges, Travelers' pretax operating income improved dramatically to a record level of $2.0 billion. During the year, the group continued to benefit from higher premium rates, growth in new business and strong retention in both commercial and personal lines, trends largely begun in 2001 as a result of increased pricing and re-underwriting initiatives and less competitive property / casualty markets. In 2003, the group reported $390 million of adverse prior year loss reserve development, with the majority of the development occurring at its Gulf and American Equities subsidiaries. In 2002 and 2003, the group's non-affiliated invested assets rose to a higher level largely reflecting improved operating cash flows. Notwithstanding, net investment income declined further in both years — 11% and 2%, respectively — largely reflecting continued lower yields on new fixed income investments and lower returns from private equity and other alternative investments.

In 2004, the group's pretax operating income rose substantially again to another record level of $3.0 billion reflecting both record underwriting income and an 18% increase in net investment income. In 2004, overall reserve development was modest at $39 million. However, $630 million of adverse A&E development (largely asbestos related) was recorded, though this was largely mitigated by substantial favorable development in personal lines and, to a lesser degree, in other lines. Most of A&E development was recorded in the fourth quarter following the completion of an internal asbestos reserve review. Gulf continued to report substantial adverse reserve development in 2004, but at a lower level than in 2003. American Equities' reserve development was relatively modest in 2004 as compared with its development in 2003. The group's substantial 18% net investment income increase in 2004 largely reflected strong operating cash flows and growth in its invested assets and substantially higher returns on private equity and other alternative investments.

St. Paul Companies —

One of the primary objectives underlying the strategic actions undertaken by St. Paul management since late 2001 was to generate more stable earnings, without reliance on aggregate excess of loss treaties. The historical earnings volatility that formed the basis for this objective is clearly evident in the earnings record of the past five years.

The St. Paul Companies' earnings varied widely over the past five years, as evidenced by the return on PHS measure, which ranged from a high of almost 20% in 2000 to a low of-18% in 2001. In 1999 and 2000, earnings rose sharply — from a pretax operating loss of $165 million in 1998 to a pretax gain of $1.4 billion in 2000 — largely due to the absence of the one-time merger related / restructuring costs that occurred in 1998 with the acquisition of USF&G Corporation, more favorable prior year loss reserve development, and significantly improved underwriting results. In addition, the group benefited from its corporate and reinsurance aggregate excess of loss (XOL) treaties in those years. These treaties, which were triggered when loss and loss adjustment expenses reached certain levels, enhanced pretax earnings by approximately $261 million in 1999, $357 million in 2000, $125 million in 2001 and $18 million in 2002, the 2002 benefit largely attributable to a reallocation of benefits originally recorded in 1999 and 2000. Also, in 1999 and 2000, St. Paul benefited from approximately $100 million and $500 million of venture capital gains that are recorded as net investment income, which A.M. Best considers largely non-recurring in nature. Catastrophe losses, which were a factor in triggering coverage under the XOL treaties, totaled approximately $400 million in 1999 and $150 million in 2000.

Tempering St. Paul's earnings improvement in 1999 and 2000 was sharp underwriting deterioration in the group's health care (primarily medical malpractice) and reinsurance operations. With the deterioration in health care becoming clearly apparent, underwriting results were severely weakened in 2000 and 2001 by significant reserve strengthening requirements in medical malpractice lines, largely due to rapidly rising loss costs associated with the continued escalation of jury awards. Underwriting losses were particularly acute within the group's subsidiary, American Continental Insurance Company, acquired in April 2000. Despite aggressive reunderwriting initiatives and the implementation of significant price increases, earnings fell considerably in 2001 to a pretax operating loss of $644 million, primarily the result of $617 million of pretax losses associated with the WTC terrorist attack on September 11th and $837 million of additional loss reserve strengthening in medical malpractice lines. While St. Paul continued to have its corporate and reinsurance

aggregate XOL treaties in place for 2001, the St. Paul did not cede any losses under the corporate program in 2001, and in early 2002, mutually agreed with the reinsurer to commute the 2001 corporate treaty. Neither the corporate or the reinsurance treaty were renewed in 2002 and St. Paul has not entered into aggregate XOL treaties since. The group's catastrophe losses, excluding its September 11 losses, rose to about $450 million in 2001 from its approximate $150 million of losses in 2000 noted above. Its venture capital gains declined to a loss of approximately $40 million in 2001 from the approximate $500 million gain in 2000, also noted above.

In 2002, St. Paul's earnings and returns improved in comparison with 2001 — pretax income of $531 million was achieved — despite $736 million of adverse prior year loss reserve development, inclusive of a major asbestos settlement with Western MacArthur totaling $472 million pretax, and additional reserve development in its surety, medical malpractice, workers' compensation and commercial auto liability lines of business. Net investment income declined 5% in 2002. In 2003, earnings and returns continued to improve — pretax operating income of $826 million was achieved — despite $599 million of prior year loss reserve development that included $350 million of additional reserve strengthening in medical malpractice lines, as well as adverse reserve development in surety, workers' compensation and property lines. Net investment income rose 10% in 2003 primarily due to a sizable swing in venture capital (Schedule BA) income from losses in 2002 to gains in 2003 (discussed in Investment Income below).

In 2004, the group experienced a substantial pretax operating loss of $1.2 billion largely reflecting $1.6 billion of reserve strengthening reported in the second quarter of the year — primarily in its continuing construction and contract surety lines — and an asbestos and environmental (A&E) reserve charge of $546 million in the fourth quarter (primarily asbestos related) following the completion of an internal annual asbestos reserve review. Net investment income declined 10% in 2004 largely reflecting the continued low interest rate environment in which to invest new funds, a decline non-affiliated invested assets during 2003 and lower venture capital income.

PROFITABILITY ANALYSIS

	Company				Industry Composite			
Period Ending	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio	Pretax ROR (%)	Return on PHS(%)	Comb. Ratio	Oper. Ratio
2000	15.4	17.5	104.2	82.5	14.9	-12.4	108.9	81.8
2001	-14.3	-24.6	127.9	111.9	3.7	-0.6	113.7	83.4
2002	11.7	27.4	104.8	89.5	9.7	4.2	95.0	79.6
2003	12.7	26.2	98.7	83.5	20.8	19.3	95.3	82.3
2004	-6.4	-0.3	123.2	109.1	15.2	12.1	94.6	82.9
5-Yr Avg	3.3	8.1	112.1	96.0	14.5	4.8	98.3	82.1
03/2004	13.0	XX	101.3	86.8	XX	XX	XX	XX
03/2005	34.5	XX	93.0	76.4	XX	XX	XX	XX

UNDERWRITING EXPERIENCE

	Net Undrw	Loss Ratios			Expense Ratios				
Year	Income ($000)	Pure Loss	LAE	Loss & LAE	Net Comm	Other Exp.	Total Exp.	Div. Pol.	Comb Ratio
2000	-6,939	52.7	16.4	69.1	19.1	16.0	35.1	...	104.2
2001	-43,281	85.0	14.8	99.8	15.6	12.5	28.2	...	127.9
2002	-5,474	61.6	13.0	74.6	14.9	14.7	29.5	0.7	104.8
2003	-3,623	55.1	13.7	68.8	16.3	13.5	29.7	0.2	98.7
2004	-32,677	74.3	17.8	92.2	13.6	17.4	30.9	0.1	123.2
5-Yr Avg	...	66.3	15.1	81.5	15.8	14.7	30.4	0.2	112.1

UNDERWRITING EXPERIENCE

03/2004	-570	59.2	11.7	71.0	XX	XX	30.2	0.2	101.3
03/2005	6,440	53.9	10.7	64.6	XX	XX	28.5	0.0	93.0

INVESTMENT INCOME ANALYSIS ($000)

Year	Net Inv Income	Company Realized Capital Gains	Unrealized Capital Gains
2000	23,923	14	...
2001	22,926	580	-360
2002	23,402	1,007	-1,000
2003	23,179	14	1,125
2004	22,906	5,621	102
03/2004	5,800	799	10
03/2005	5,980	65	...

	Company			Industry Composite	
Year	Inv Inc Growth (%)	Inv Yield (%)	Total Return (%)	Inv Inc Growth (%)	Inv Yield (%)
2000	0.7	6.7	6.7	-47.3	4.6
2001	-4.2	6.5	6.5	-1.6	5.0
2002	2.1	6.4	6.4	9.7	4.8
2003	-1.0	5.9	6.2	15.7	4.4
2004	-1.2	5.1	6.5	0.8	3.6
5-Yr Avg	-3.6	6.1	6.5	-33.6	4.4
03/2004	XX	XX	1.6	XX	XX
03/2005	XX	XX	1.2	XX	XX

INVESTMENT PORTFOLIO ANALYSIS

Asset Class	2004 Inv Assets ($000)	% of Invested Assets 2004	2003	Annual % Chg
Long-Term bonds	429,628	85.9	97.7	6.5
Other Inv Assets	70,339	14.1	2.3	631.5
Total	499,967	100.0	100.0	21.1

2004 BOND PORTFOLIO ANALYSIS

Asset Class	% of Total Bonds	Mkt Val to Stmt Val(%)	Avg. Maturity (Yrs)	Class 1 - 2 (%)	Class 3 - 6 (%)	Struc. Secur. (%)	Struc. Secur. (% of PHS)

2004 BOND PORTFOLIO ANALYSIS

Governments	8.7	1.6	5.3	100.0	...	...	...
States, terr & poss	51.9	3.7	12.2	100.0	...	0.3	0.5
Corporates	39.3	4.4	6.5	100.0	...	9.9	12.5
Total all bonds	100.0	3.8	9.4	100.0	...	4.0	13.0

CAPITALIZATION

The following text is derived from the report of St. Paul Travelers Insurance Companies.

CAPITAL GENERATION ANALYSIS ($000)

	Source of Surplus Growth		
Year	Pretax Operating Income	Total Inv. Gains	Net Contrib. Capital
2000	16,984	14	-10,059
2001	-20,355	220	-16,983
2002	17,927	7	...
2003	19,359	1,139	...
2004	-10,401	5,723	38,031
5-Yr Total	23,514	7,103	10,989
03/2004	5,183	809	-12,000
03/2005	12,440	65	...

	Source of Surplus Growth		
Year	Other, Net of Tax	Change in PHS	PHS Growth (%)
2000	-410	6,529	7.0
2001	107	-37,011	-36.9
2002	-13,677	4,257	6.7
2003	872	21,370	31.6
2004	11,394	44,747	50.3
5-Yr Total	-1,713	39,893	...
03/2004	-118	-6,127	-6.9
03/2005	-1,719	10,786	8.1

Overall Capitalization: Based on Best's Capital Adequacy Ratio (BCAR), St. Paul Travelers Insurance Companies' capitalization is strong. The group's capitalization should benefit from the repositioning and strategic initiatives taken by

management since the merger of The St. Paul Companies, Inc. and Travelers Property Casualty Corp. in April 2004 and its improved earnings prospects for the longer term. The group's level of capitalization assumes future reserve shortfalls and earnings disappointments inherent in segments of its core businesses, the uncertainty associated with the run-off of its discontinued businesses, particularly medical malpractice, as well as the potential future emergence of asbestos and environmental liabilities

In 2005, A.M. Best expects St. Paul Travelers Insurance Companies' capitalization will benefit significantly from anticipated strong earnings and approximately $2.1 billion of proceeds from its parent holding company's (The St. Paul Travelers Companies, Inc.'s) divestiture of Nuveen Investments, Inc. A substantial portion of this transaction was completed in April 2005, at which time St. Paul Fire and Marine Insurance Company received about $400 million of the proceeds related to its ownership of Nuveen. The St. Paul Travelers Companies, Inc. will contribute about $1.7 million of the divestiture's proceeds to St. Paul Travelers Insurance Companies in the third quarter of 2005 upon its completion. The group's anticipated strong earnings and proceeds from the Nuveen divestiture should significantly benefit both its BCAR and underwriting leverage measures in 2005.

A.M. Best also expects St. Paul Travelers Insurance Companies' strong earnings and the divestiture of Nuveen to benefit The St. Paul Travelers Companies, Inc. in 2005. The divestiture has already resulted in a substantial improvement in holding company liquidity and tangible net worth through a significant increase in cash and a significant reduction in goodwill. Barring substantial catastrophe losses or reserve strengthening, A.M. Best is expecting cash at the holding company to increase to well in excess of $1.0 billion at year-end 2005 from $223 million at year-end 2004.

QUALITY OF SURPLUS ($000)

Year	Year-End PHS	Cap Stk/ Contrib. Cap.	Other	% of PHS Un-assigned Surplus	Stock-holder Divs	Dividend Requirements Div to POI (%)	Dividend Requirements Div to Net Inc. (%)
2000	100,337	10.1	...	89.9	-10,059	59.2	59.2
2001	63,326	15.9	...	84.1	-16,983	-83.4	-85.9
2002	67,583	14.9	...	85.1	...	...	...
2003	88,954	11.4	...	88.6	...	...	...
2004	133,701	45.0	...	55.0	-12,000	-99.9	-99.9
03/2004	82,827	12.2	...	87.8	-12,000	231.5	200.6
03/2005	144,487	41.6	...	58.4	...	...	...

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LEVERAGE ANALYSIS

Year	Company NPW to PHS	Company Reserves to PHS	Company Net Lev	Company Gross Lev	Industry Composite NPW to PHS	Industry Composite Reserves to PHS	Industry Composite Net Lev	Industry Composite Gross Lev
2000	1.2	2.4	4.2	4.2	0.4	0.8	1.4	2.7
2001	2.4	4.3	8.3	8.3	0.4	0.7	1.8	3.4
2002	2.2	4.2	7.8	7.8	0.8	0.7	2.5	4.3
2003	1.9	3.1	6.3	6.3	0.7	1.0	2.6	4.2
2004	1.1	2.5	4.3	4.3	0.7	1.0	2.4	3.9
03/2004	2.1	3.4	6.9	XX	XX	XX	XX	XX
03/2005	0.9	2.3	3.8	XX	XX	XX	XX	XX

Current BCAR 190.5

PREMIUM COMPOSITION & GROWTH ANALYSIS

Period	DPW		GPW	
Ending	($000)	(% Chg)	($000)	(% Chg)
2000	97,798	25.5	214,814	18.5
2001	167,116	70.9	321,919	49.9
2002	296,692	77.5	443,237	37.7
2003	355,566	19.8	527,531	19.0
2004	365,348	2.8	511,471	-3.0
5-Yr CAGR	...	36.2	...	23.1
5-Yr Change	...	369.0	...	182.1
03/2004	81,818	7.2	121,958	6.7
03/2005	89,278	9.1	112,898	-7.4

Period	NPW		NPE	
Ending	($000)	(% Chg)	($000)	(% Chg)
2000	117,012	13.2	110,369	5.9
2001	154,808	32.3	142,840	29.4
2002	146,545	-5.3	152,780	7.0
2003	171,965	17.3	152,846	0.0
2004	146,123	-15.0	162,563	6.4
5-Yr CAGR	...	7.2	...	9.3
5-Yr Change	...	41.3	...	55.9
03/2004	40,140	5.5	39,969	13.1
03/2005	22,224	-44.6	36,030	-9.9

Reserve Quality: Travelers Property Casualty Pool —

During the late 1990s and in 2000, Travelers' prior year loss reserve development was generally very favorable. In 2001, however, modest adverse prior year loss reserve development emerged, primarily attributable to other liability (occurrence), commercial auto liability and assumed reinsurance lines. Some of this development related to the group's strengthening of asbestos and environmental (A&E) reserves. In 2003, the group reported $390 million of adverse reserve development, with approximately $515 million reported at its Gulf subsidiaries, $130 million at its Northland / American Equities subsidiaries, and $60 million of environmental reserve development. The adverse reserve development that occurred at the group's Gulf and Northland / American Equities subsidiaries and in environmental reserves in 2003, was partially offset by approximately $315 million of favorable development elsewhere in the group, primarily in property lines. In 2004, overall reserve development was modest at $39 million. However, $630 million of adverse A&E development (largely asbestos related) was recorded, though this was largely mitigated by substantial favorable development in personal lines and, to a lesser degree, in other lines. Most of the A&E development in 2004 was recorded in the fourth quarter following the completion of an internal annual asbestos reserve review. Gulf continued to report substantial adverse reserve development in 2004, but at a lower level than in 2003. Northland / American Equities' reserve development was relatively modest in 2004 as compared with its development in 2003.

During the first nine months of 2002, Travelers' continued to strengthen its asbestos reserves based on an analysis of trends in reported losses, higher levels of claim payments, the litigation environment and settlement activities, as well as a regular periodic ground-up study of its asbestos reserves which it commenced in the third quarter. The study involved an

extensive assessment of the group's asbestos liability exposures, taking into account a review of all active policyholders, changes in litigation and potential exposure arising from non-product exposure. The methodology of the study was opined upon by a prominent independent actuarial consulting firm. Following completion of the study, Travelers announced that it had strengthened its net asbestos reserves by $2.55 billion to $3.4 billion in the fourth quarter of 2002. The group also added $100 million to environmental reserves in the fourth quarter, raising environmental reserves to $385 million.

As a result of discussions with management regarding Travelers' asbestos study in 2002 and asbestos review in 2004, A.M. Best is more comfortable with the adequacy of the group's A&E reserves. A.M. Best views the A&E reserve strengthening over the past several years as positive in that it should lessen future A&E earnings drag as well as help narrow the gap between the group's carried A&E reserves and A.M. Best's view of A&E reserves. At year-end 2002, the group's three-year A&E survival ratio (reserves to average paid losses) was 9.8x, with the asbestos survival ratio at 16.8x and the environmental survival ratio at 2.1x. At year-end 2003, after sizable A&E paid losses, and $60 million of additional strengthening in environmental reserves, the group's three-year A&E survival ratio was 6.5x, with the asbestos survival ratio at 9.0x and environmental survival ratio 1.7x. At year-end 2004, after the strengthening of its A&E reserves in the fourth quarter, the group's three-year A&E survival ratio was 7.1x, with the asbestos survival ratio at 8.8x and environmental survival ratio 2.9x. These survival ratios compare unfavorably with Best's ultimate, undiscounted industry benchmark of 20x for both asbestos and environmental exposures, particularly the environmental survival ratio. The asbestos survival ratio appears more reasonable on a discounted basis. While the group strengthened its environmental reserves approximately $250 million in 2004, the year-end 2004 environmental three-year survival ratio is low at 2.8x. This concern, however, is partially mitigated by the group's aggressive settlement strategies in recent years and a decline in the number of policyholders presenting new claims. While A.M. Best is more comfortable with the adequacy of Travelers' A&E reserves as a result of its sizable reserve strengthening in 2002 and 2004, further development appears probable.

According to A.M. Best's estimates, Travelers ranks among the top five insurer group's in the nation with commercial lines that are potentially exposed to emerging A&E claims. The group has maintained an extensive and dedicated A&E claims unit for many years which monitors and limits its future exposures through proactive dispute resolution strategies.

St. Paul Companies —

Prior to 2001, St. Paul's historical carried loss reserve development had been generally favorable. Beginning in 2001, however, the group reported substantial prior year loss reserve development totaling $517 million, primarily caused by $837 million of adverse development in its medical malpractice lines. Most of this development related to accident years 1997 through 2000. In 2002, the group reported additional prior year loss reserve development of $736 million with a sizable portion related to its Western MacArthur asbestos settlement (approximately $472 million) and the balance spread across surety, commercial auto liability, workers' compensation and medical malpractice lines. In 2003, the group reported $599 million of further reserve development with $350 million related to medical malpractice lines and the balance primarily in surety, workers' compensation and property lines. In 2004, the company reported substantial reserve development totaling $2.4 billion, primarily related to $1.6 million of development in construction and contract surety lines, booked in the second quarter, and an A&E reserve charge of $546 million recorded in the fourth quarter. In addition, there was further reserve development in the workers' compensation line in 2004. The A&E charge in the fourth quarter was primarily asbestos related, and as was the case for Travelers, followed the completion of an internal annual asbestos reserve review. A.M. Best continues to believe that there are significant ongoing uncertainties relating to the reserves St. Paul has established for its run-off business segments, specifically the heath care segment, as well as several continuing lines of business, including the construction and contract surety and workers' compensation lines. Given the size and potential volatility of reserves carried by St. Paul relating to its run-off operations, execution risk continues to be of paramount importance. A.M. Best believes there remains the potential for significant reserve development in several of these areas.

Another segment where the group's reserves appear deficient are those relating to asbestos and environmental (A&E) exposures. Best's analysis indicates that the group's recognition of its ultimate A&E liabilities lags its peers insofar as its share of industry wide A&E reserves and paid-losses that are significantly less than its historic premium market share. Mitigating factors, however, include the fact that a significant portion of the group's A&E exposure arises primarily from lower hazard and lower limit mainstreet commercial business. Based on Footnote 33 data available at year-end 2004, and adjusting for large payments made in the second quarter of 2002 and first quarter of 2003 in connection with the

group's Western MacArthur asbestos settlement, A.M. Best estimates the group's three-year A&E survival ratio (reserves to average paid losses) at 6.7x at year-end 2003, with the three-year asbestos survival ratio at 9.9x and the comparable environmental survival ratio at 3.1x. These survival ratios compare unfavorably with A.M. Best's ultimate, undiscounted industry survival ratio of 20x for both asbestos and environmental exposures, but are somewhat more reasonable on a discounted basis. Despite St. Paul's sizable A&E reserve strengthening in 2004, A.M. Best believes the group continues to be susceptible to further emergence of A&E claims, and as is the case with Travelers, further A&E reserve development appears probable.

LOSS & ALAE RESERVE DEVELOPMENT: CALENDAR YEAR ($000)

Calendar Year	Original Loss Reserves	Developed Reserves Thru 2004	Develop. to Orig.(%)	Develop. to PHS (%)	Develop. to NPE (%)	Unpaid Reserves @ 12/2004	Unpaid Resrv. to Dev.(%)
1999	268,053	316,986	18.3	52.2	283.2	84,473	26.6
2000	249,135	335,351	34.6	85.9	289.0	117,049	34.9
2001	291,778	370,019	26.8	123.6	246.6	159,982	43.2
2002	278,300	342,254	23.0	94.6	219.8	201,374	58.8
2003	268,306	308,397	14.9	45.1	201.8	245,420	79.6
2004	334,441	334,441	...	...	205.7	334,441	100.0

LOSS & ALAE RESERVE DEVELOPMENT: ACCIDENT YEAR ($000)

Accident Year	Original Loss Reserves	Developed Reserves Thru 2004	Develop. to Orig.(%)	Unpaid Reserves @12/2004	Acc Yr. Loss Ratio	Acc Yr. Comb Ratio
1999	67,474	88,326	30.9	15,929	101.5	137.4
2000	66,252	97,343	46.9	32,576	105.3	140.4
2001	110,636	124,450	12.5	42,933	101.6	129.8
2002	85,354	78,131	-8.5	41,392	64.9	95.1
2003	71,254	60,087	-15.7	44,046	51.7	81.6
2004	89,021	89,021	...	89,021	66.7	97.7

ASBESTOS & ENVIRONMENTAL (A&E)
RESERVES ANALYSIS

Company

Year	Net A&E Reserves ($000)	Reserve Retention (%)	Net IBNR Mix (%)
2000	15,450	100.0	...
2001	16,020	100.0	...
2002	12,540	100.0	...
2003	10,590	100.0	...
2004	18,570	100.0	63.8

Company			Industry Composite		
Survival	Comb Ratio	Comb Ratio	Survival	Comb Ratio	Comb Ratio

Year	Ratio (3 yr)	Impact (1 yr)	Impact (3 yr)	Ratio (3 yr)	Impact (1 yr)	Impact (3 yr)
2000	...	1.4	...	...	0.5	...
2001	...	2.0	...	...	1.3	...
2002	6.5	-0.9	0.7	8.6	2.3	1.4
2003	4.0	1.1	0.7	9.1	1.7	1.8
2004	8.0	5.7	2.0	8.1	1.2	1.7

CEDED REINSURANCE ANALYSIS ($000)

	Company				Industry Composite		
Year	Ceded Reins Total	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS (%)	Business Retention (%)	Rein Rec to PHS (%)	Ceded Reins to PHS(%)
2000	...	100.0	...	...	46.9	94.8	125.7
2001	...	92.6	...	...	33.4	111.5	160.9
2002	...	49.4	...	...	40.8	129.3	179.8
2003	...	48.4	...	...	38.9	113.0	167.9
2004	...	40.0	...	...	43.0	107.9	147.2

2004 REINSURANCE RECOVERABLES ($000)

	Paid & Unpaid Losses	IBNR	Unearned Premiums	Other Recov*	Total Reins Recov
US Affiliates	255,428	246,068	157,717	2,093	661,305
Grand Total	255,428	246,068	157,717	2,093	661,305

* Includes Commissions less Funds Withheld

INVESTMENT LEVERAGE ANALYSIS (% OF PHS)

	Company						Industry Composite	
Year	Class 3-6 Bonds	Real Estate/ Mtg.	Other Invested Assets	Common Stocks	Non-Affl Inv. Lev.	Affil Inv.	Class 3-6 Bonds	Common Stocks
2000	...	...	...	...	...	...	0.8	19.8
2001	...	...	...	...	...	...	1.2	17.5
2002	4.6	...	...	...	4.6	...	1.9	16.6
2003	4.4	...	...	...	4.4	...	1.3	18.1
2004	...	...	...	...	...	...	1.6	17.4

LIQUIDITY

The following text is derived from the report of St. Paul Travelers Insurance Companies.

Travelers Property Casualty Pool —

Due to its significant position in intermediate term fixed income securities, Travelers' quick liquidity is below par when

compared to its peers. This was true at year-end 2004 when its short-term investments and cash position remained low. However, the group's current and overall liquidity ratios compare more favorably. The group's operating and net cash flows historically have been strong, reflecting excellent underwriting results and high levels of investment income. In 2002, 2003 and 2004, underwriting and operating cash flows improved substantially and should remain favorable in 2005 given the group's favorable underwriting outlook. Cash flows are enhanced by Travelers' significant national accounts business. In that regard, the group has over $2 billion of long-term receivables, between accrued retrospective receivables and deferred but not-yet-due receivables. Through this national accounts business, the group has either collateralized its receivables or has the contractual right to offset its national accounts liabilities against these receivables. Except for a mega-catastrophe event, the risk of premature losses on fixed income securities is minimal.

St. Paul Companies —

Liquidity measures remain healthy with 83% of total assets invested at year-end 2004. Operating cash flows were negative for years 1999 through 2001 largely due to greater negative underwriting cash flows in all four years. The greater negative underwriting cash flows in 1999 and 2000 reflect declining premium volume in those years, including sizable cessions under its aggregate XOL agreements, as well as higher loss and loss adjustment expenses. Cash used in underwriting activities declined $662 million in 2001 reflecting increased premiums collected, offset by a smaller increase in loss and loss adjustment expenses paid and underwriting expenses paid. However, underwriting cash flow remained negative. Operating cash flows were modestly positive in 2002 despite higher negative underwriting cash flows largely reflecting a modest increase in investment income and tax benefits received in 2002 for losses incurred in 2001. The group's operating cash flows were negative again in 2003 as a result of continued losses payable related to the September 11 terrorist attacks, additional payments related to the Western MacArthur asbestos settlement, as well as losses payable stemming from the businesses it is exiting. Operating cash flows improved substantially in 2004 reflecting a significant reduction of these losses payable as well as the group's ongoing increased pricing, reunderwriting and expense reduction initiatives. The overall quality of the group's bond portfolio is high, with over 98% invested in investment grade issues.

LIQUIDITY ANALYSIS

	Company				Industry Composite			
Year	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)	Quick Liq (%)	Current Liq (%)	Overall Liq (%)	Gross Agents Bal to PHS(%)
2000	23.6	119.0	132.5	20.9	42.5	152.0	194.0	8.7
2001	17.6	100.7	117.0	48.3	34.5	133.9	168.4	11.0
2002	18.1	105.2	117.6	36.4	33.6	122.9	155.1	16.3
2003	10.3	108.1	122.7	29.6	34.0	118.5	154.3	14.6
2004	21.6	119.1	131.2	7.3	35.3	131.2	156.8	12.9
03/2004	XX	102.9	121.0	31.9	XX	XX	XX	XX
03/2005	XX	122.4	134.6	6.3	XX	XX	XX	XX

CASH FLOW ANALYSIS ($000)

				Company		Industry Composite	
Year	Underw Cash Flow	Oper Cash Flow	Net Cash Flow	Underw Cash Flow(%)	Oper Cash Flow(%)	Underw Cash Flow(%)	Oper Cash Flow(%)
2000	-23,082	2,351	-772	82.8	101.8	92.2	111.2
2001	-5,513	20,500	2,720	96.2	114.1	76.7	118.7
2002	-16,582	6,833	-2,216	90.6	103.9	136.7	152.3
2003	-2,904	22,697	1,299	98.3	113.4	219.3	203.8

CASH FLOW ANALYSIS ($000)

2004	33,536	56,069	60,272	126.7	144.7	191.9	193.0
03/2004	-2,064	3,850	-3,411	95.2	109.0	XX	XX
03/2005	2,692	8,234	-61,764	108.0	124.4	XX	XX

HISTORY

This company was incorporated on February 22, 1974 under the laws of Delaware and began business February 22, 1974. Capital paid up is $4,100,000 consisting of 41,000 shares of common stock at a par value of $100 per share. There are 100,000 shares authorized.

MANAGEMENT

All of the outstanding capital stock, in 1981, passed to St. Paul Specialty Underwriting, Inc. (formerly Atwater McMillian Inc.), a wholly owned subsidiary of St. Paul Fire and Marine Insurance Company, St. Paul, Minnesota. Financial control of the latter resides with The St. Paul Companies, Inc., (renamed The St. Paul Travelers Companies, Inc. upon its merger with Travelers Property Casualty Corp. on April 1, 2004), a publicly traded holding company which trades on the NYSE under the symbol SPC (changed to STA upon the merger with Travelers Property Casualty Corp. on April 1, 2004).

Operations are directed by insurance executives identified with the well-known St. Paul Travelers Group. The official staff is headed by Brian W. MacLean, Chairman, President and Chief Executive Officer.

Six other closely related enterprises are Athena Assurance Company, St. Paul Medical Liability Insurance Company, Seaboard Surety Company, St. Paul Protective Insurance Company, Discover Specialty Insurance Company and Discover Property & Casualty Insurance Company. The six property / casualty enterprises share administrative offices in St. Paul, Minnesota.

Officers: Chairman of the Board, President and Chief Executive Officer, Brian W. MacLean; Executive Vice President and Chief Financial Officer, Jay S. Benet; Executive Vice President and Chief Investment Officer, William H. Heyman; Executive Vice President and Chief Administrative Officer, Andy F. Bessette; Executive Vice President and General Counsel, Kenneth F. Spence III; Executive Vice Presidents, John P. Clifford, Jr., Doreen Spadorcia; Senior Vice President and Chief Information Officer, William A. Bloom; Senior Vice President and Chief Actuary, Wade T. Overgaard; Senior Vice President and Secretary, Bruce A. Backberg; Senior Vice President, Treasurer and Controller, Douglas K. Russell; Senior Vice Presidents, Pauline C. Panik, Brian P. Reilly, Scott W. Rynda.

Directors: Michael F. Klein, Brian W. MacLean, Kenneth F. Spence, Gregory M. Vezzosi.

REGULATORY

An examination of the financial condition was made as of December 31, 2002 by the Insurance Department of Delaware. An annual independent audit of the company is conducted by KPMG, LLP. An annual evaluation of reserves for unpaid losses and loss adjustment expenses is made by Paul J. Brehm, FCAS, MAAA, Sr. Vice President and Chief Actuary.

TERRITORY

The company is licensed in Delaware. It also operates on a surplus lines or non-admitted basis in the District of Columbia, Puerto Rico, U.S. Virgin Islands, AL, AK, AZ, AR, CA, CO, CT, FL, GA, HI, ID, IL, IN, IA, KS, KY, LA, ME, MD, MA, MI, MN, MS, MO, MT, NE, NV, NH, NJ, NM, NY, NC, ND, OH, OK, OR, PA, RI, SC, SD, TN, TX, UT, VT, VA, WA, WV, WI and WY.

REINSURANCE PROGRAMS

St. Paul Surplus Lines Insurance Company pools all of its business (net of reinsurance cessions prior to pooling) with other members of the St. Paul Pool. Joint reinsurance arrangements are maintained for the pool by St. Paul Fire and Marine Insurance Company.

The following text is derived from the report of St. Paul Travelers Insurance Companies.

St. Paul Travelers utilizes a variety of reinsurance agreements with non-affiliated reinsurers to control its exposure to large losses both with respect to losses under individual policies and with respect to accumulations of losses under a large number of policies resulting from a single occurrence.

The descriptions below relate to the company's reinsurance arrangements in effect at January 1, 2005. Most casualty and property reinsurance agreements have terrorism sublimits or exclusions. For third party liability, including automobile no-fault, the reinsurance agreement used by Commercial limits the net retention to a maximum of $8.0 million per insured, per occurrence. For third party liability, including but not limited to professional liability, directors' and officers' liability, and employment practices liability, the reinsurance agreements used by Specialty generally limit the net retentions from $4.0 million to $16.0 million per policy. For third party liability, National Accounts utilizes facultative reinsurance or writes limits that are within the net appetite of the company. Reinsurance is also used to limit the net retained amount per risk to $15.0 million for Commercial and Specialty property. For surety protection, the company generally retains up to $24.5 million PML (probable maximum loss) per principal but may retain higher amounts based on the type of obligation, credit quality and other credit risk factors. Personal retains the first $5.0 million of umbrella policies and purchases facultative reinsurance for limits over $5.0 million. For personal property insurance, there is a $6.0 million maximum retention per risk. The company also utilizes facultative reinsurance to provide additional limits capacity or to reduce retentions on an individual risk basis. The company may also retain amounts greater than those described herein based upon the individual characteristics of the risk.

The company utilizes a reinsurance agreement to control its exposure to losses resulting from one occurrence. For the accumulation of net property losses arising out of one occurrence, the general catastrophe agreement covers 60% of total losses between $750.0 million and $2.0 billion. This agreement excludes nuclear, chemical, and biochemical losses for domestic terrorism and all terrorism losses as defined by the Terrorism Risk Insurance Act of 2002. This agreement covers all St. Paul Travelers business except St. Paul Travelers Insurance Company Limited.

The company conducts an ongoing review of its risk and catastrophe coverages and makes changes it deems appropriate.

BALANCE SHEET ($000)

ADMITTED ASSETS	12/31/2004	12/31/2003	2004 %	2003 %
Bonds	429,628	403,227	76.4	83.7
Cash & short-term invest	64,407	4,135	11.5	0.9
Total invested assets	494,036	407,362	87.9	84.6
Premium balances	35,460	51,807	6.3	10.8
Accrued interest	5,932	5,480	1.1	1.1
All other assets	26,805	16,928	4.8	3.5
Total assets	562,233	481,577	100.0	100.0

LIABILITIES & SURPLUS	12/31/2004	12/31/2003	2004 %	2003 %
Loss & LAE reserves	339,157	275,536	60.3	57.2
Unearned premiums	65,600	81,492	11.7	16.9
All other liabilities	23,774	35,595	4.2	7.4
Total liabilities	428,532	392,623	76.2	81.5

Capital & assigned surplus	60,131	10,100	10.7	2.1
Unassigned surplus	73,570	78,854	13.1	16.4
Total policyholders' surplus	133,701	88,954	23.8	18.5
Total liabilities & surplus	562,233	481,577	100.0	100.0

SUMMARY OF 2004 OPERATIONS ($000)

STATEMENT OF INCOME	12/31/2004	FUNDS PROVIDED FROM OPERATIONS	12/31/2004
Premiums earned	162,563	Premiums collected	159,076
Losses incurred	120,850	Benefit & loss related pmts	57,178
LAE incurred	28,953	Net transfers to accounts	...
Undrw expenses incurred	45,192	LAE & undrw expenses paid	68,112
Div to policyholders	244	Div to policyholders	250
Net underwriting income	-32,677	Undrw cash flow	33,536
Net investment income	22,906	Investment income	23,607
Other income/expense	-630	Other income/expense	-1,074
Pre-tax oper income	-10,401	Pre-tax cash operations	56,069
Realized capital gains	5,621		
Income taxes incurred	-4,350	Income taxes pd (recov)	...
Net income	-430	Net oper cash flow	56,069

INTERIM BALANCE SHEET

ADMITTED ASSETS	03/31/2005		
Cash & short term invest	2,643	...	...
Bonds	502,408	...	...
Total investments	505,052		
Premium balances	26,302	...	...
Reinsurance funds	7,742	...	...
Accrued interest	6,860	...	...
All other assets	16,675	...	...

INTERIM BALANCE SHEET

Total assets	562,631		
LIABILITIES & SURPLUS	03/31/2005		
Loss & LAE reserves	338,459	...	...
Unearned premiums	51,843	...	...
All other liabilities	27,843	...	...
Total liabilities	418,145		
Capital & assigned surp	60,131	...	...
Unassigned surplus	84,356	...	...
Policyholders' surplus	144,487		
Total liabilities & surplus	562,631		

INTERIM INCOME STATEMENT

	Period Ended 3/31/2005	Period Ended 3/31/2004	Increase/ Decrease
Premiums earned	36,030	39,969	-3,939
Losses incurred	19,415	23,679	-4,264
LAE incurred	3,849	4,690	-840
Underwriters expenses incurred	6,326	12,106	-5,780
Div to policyholders	-1	64	-65
Net underwriting income	6,440	-570	7,010
Net investment income	5,980	5,800	180
Other income/expenses	20	-47	67
Pre-tax operating income	12,440	5,183	7,258
Realized capital gains	65	799	-734
Income taxes incurred	3,538	...	3,538
Net income	8,967	5,982	2,986

INTERIM CASH FLOW

	Period Ended 3/31/2005	Period Ended 3/31/2004	Increase/ Decrease
Premiums collected	36,458	40,728	-4,270
Benefit & loss related pmts	19,344	23,352	-4,009
Undrw expenses paid	14,368	19,403	-5,035
Div to policyholders	55	37	18
Underwriting cash flow	2,692	-2,064	4,756
Investment income	5,521	5,455	66
Other income/expense	20	459	-439
Pre-tax cash operations	8,234	3,850	4,384
Net oper cash flow	8,234	3,850	4,384

LOAD-DATE: August 18, 2005